

This can be illustrated. Let me give just a quick example. It is an oversimplification. Let us say that five people design a money system. They create \$50 in currency without intrinsic value, paper currency, say. Each one borrows \$10 and agrees to repay the \$10 in one year and, of course, they will pay interest on it. They will each pay \$1 in interest.

Now, this is obviously a flawed system because if only \$50 is created, a year later it is impossible for \$55 to be repaid. Someone in the system is going to lose their collateral that they pledged for the loan.

Unfortunately for us, this is the kind of system which has been imposed on this country. The deeper problems do come to light as we look carefully at our monetary system.

Now, there will always be some people who are better managers, just good at business or just lucky in their choices. That is the first group. They will prosper in any system. Then there is the upper middle class who will manage a satisfactory standard of living. Then next is the lower middle class, who may manage a satisfactory standard of living by working two jobs or being frugal in their spending or so forth.

Number four, there are the working poor who really do work hard but at low paying jobs they can never get ahead at all.

Number five, at the bottom are the hopeless poor who may work some or are on some sort of welfare but have little chance to better their situation in the real world. They are the last hired in good times and the first fired when the economy is slipping.

Now, it is easy to say this group does not have the skills, probably true; does not want to work, probably not true, but in any event there is strong evidence that the system, the system we have, plays a critical role in their lack of success.

Let us suppose there are five heads of families that live on a new continent. We will just invent a situation. Again, they work hard, bartering for things. The plan proposed would be to issue the certificates, as I mentioned, and they would be the medium of exchange. They issue fifty pieces of paper or fifty certificates and they have to each repay one certificate at the end of the year, and thus the interest on it is impossible to be paid. That is, if money is issued as a loan, the interest is impossible to be repaid.

Now, it is easy to see in a simple situation like that, or example, but it is impossible to see in our huge national monetary system with hundreds of billions of dollars constantly being created and extinguished. Actually, it is estimated that about \$20 billion is extinguished and created each day in America, causing the fundamental flaw in our system. The fact of creating money out of thin air and loaning it into circulation at interest makes the interest mathematically impossible to be paid.

The result is that this system builds more and more debt which cannot be repaid, resulting ultimately in monetary problems, anything from a minor recession to a major hair-curling depression such as we experienced in the 1930s. These things are the result or can be the result of a flawed monetary system.

The point I make is that we must understand the danger of relying on the issue of debt money. It is the responsibility of Congress to understand this issue and its ramifications, and change the way we issue the Nation's money. More on this later.

A PERMANENT NEGOTIATOR TO FACILITATE DIRECT TALKS ON NAGORNO KARABAGH MUST BE APPOINTED

The SPEAKER pro tempore. Under the Speaker's announced policy of January 19, 1999, the gentleman from New Jersey (Mr. PALLONE) is recognized during morning hour debates for 5 minutes.

Mr. PALLONE. Madam Speaker, the foreign operations appropriations bill, which this House is expected to begin debating later this week, contains an important provision that is extremely timely and deserves our support. Language in the foreign ops legislation addresses the need for a negotiated settlement to the Nagorno Karabagh conflict; noting that the important position of special negotiator for Nagorno Karabagh and NIS, the Newly Independent States of the former Soviet Union, regional conflicts is currently vacant.

The Committee on Appropriations urged the Secretary of State to move forthwith to appoint a permanent special negotiator to facilitate direct negotiations and any other contacts that will bring peace to the long suffering people of the South Caucasus.

Madam Speaker, Nagorno Karabagh is an historically Armenian populated region that declared its independence as the Soviet Union was breaking up. The neighboring Republic of Azerbaijan, which claims Nagorno Karabagh as part of its own territory, went to war to prevent Karabagh, known to the Armenian people as Artsakh, from achieving its independence.

The people of Karabagh prevailed in battle and Azerbaijan agreed to a cease-fire in 1994 but, Madam Speaker, a permanent negotiated settlement acceptable to all sides has been elusive.

The U.S. has played a leading role in the effort to resolve this conflict, as a co-chair of the Minsk Group, under the auspices of the Organization for Security and Cooperation in Europe.

The U.S. has had three of our diplomats serve in the post of special negotiator to try to resolve this conflict.

Madam Speaker, the position of special negotiator recently became vacant with the departure of Donald Keyser, a career diplomat who moved on to an-

other post in the State Department. Mr. Keyser, our third special negotiator, played a major role in shaping a new plan to settle the conflict, known as the Common State proposal.

Despite their substantial reservations, both Armenia and Nagorno Karabagh agreed to the Common State proposal as a basis for negotiations. Unfortunately, Azerbaijan flatly rejected this proposal.

Mr. Keyser worked very hard to move this process forward, so his departure leaves a major void. At this critical juncture, we must get another permanent special negotiator in place without delay, preferably either a very senior diplomat or perhaps another American recognized for leadership in public policy and public life, someone who can command the respect necessary to win the confidence of all parties to the conflict.

To echo and amplify the language in the foreign ops bill, I will be circulating amongst our colleagues here a letter to President Clinton and Secretary Albright urging that they move to appoint a special negotiator immediately.

Madam Speaker, two weeks ago Armenia's ambassador to the United States, Ambassador Rouben Shugarian, came to Capitol Hill to brief Members of Congress and our staff about the Nagorno Karabagh peace process, and one of the most positive developments of late has been the increase in direct contacts between the presidents of Armenia and Azerbaijan. The presidents of the two countries recently met privately in Geneva.

The surprise announcement that came out of the meeting was a tentative agreement to have Nagorno Karabagh participate directly in the next session of face-to-face talks. While it may be too soon to talk of a breakthrough, Armenian President Kocharian stated that he believes Azerbaijan's President Heydar Aliyev is serious about achieving a solution to the Karabagh conflict. Ambassador Shugarian spoke at our recent meeting with cautious optimism about other avenues for direct talks, and it is important for this process to continue and indeed to be accelerated as much as possible.

That is why today I want to stress that the presence of a permanent U.S. special negotiator to facilitate direct negotiations and other contacts is extremely important at this time. I urge the administration to act quickly to appoint a new and permanent special negotiator.

BUDGET PRIORITIES

The SPEAKER pro tempore. Under the Speaker's announced policy of January 19, 1999, the gentlewoman from Georgia (Ms. MCKINNEY) is recognized during morning hour debates for 5 minutes.

Ms. MCKINNEY. Madam Speaker, in the 1980s, at the height of the so-called